DIAGNOS

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DIAGNOS Inc.

2019 Management Discussion and Analysis

DIAGNOS Inc.

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A"), dated June 27, 2019, analyses the consolidated financial position of DIAGNOS Inc. and its subsidiaries ("DIAGNOS", "the Corporation" or "We") as at March 31, 2019 and for the three-month period and year ended March 31, 2019 and should be read in conjunction with the March 31, 2019 consolidated financial statements and accompanying notes. The currency used is the Canadian dollar unless otherwise stated.

This MD&A was approved by the Board of Directors on June 27, 2019 and takes into account information available up to the filing date on SEDAR.

Description and Objective

This MD&A is a narrative explanation, through the eyes of management, of the Corporation's performance during the periods covered by the financial statements, and of the Corporation's financial condition and future prospects. This MD&A complements and supplements the Corporation's financial statements, but does not form part of the Corporation's financial statements.

The objective of this MD&A is to improve the Corporation's overall financial disclosures by providing a balanced discussion of the Corporation's financial performance and financial condition.

Going concern assumption

The March 31, 2019 consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Corporation's current level of revenue is not sufficient to cover its expenses and ongoing commitments. The Corporation's ability to generate positive cash flows from its operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of common shares, stock warrants, convertible notes, convertible debentures and demand loans. On July 4th, 2018, the Corporation closed a private placement of $800,000 through the issuance of convertible debentures and stock warrants. On June 14th and September 11th, 2018, the Corporation closed private placements for gross proceeds respectively of $60,000 and $112,500 through the issuance of common shares and stock warrants. On November 1st and 9th, 2018, the Corporation closed private placements for gross proceeds respectively of $500,000 and $1,033,000 through the issuance of common shares and stock warrants. On December 12th, 2018, the Corporation closed a private placement for gross proceeds of $250,000 USD ($334,475 CAD) through the issuance of common shares and stock warrants. In the near term, the Corporation intends to continue seeking additional financing through the issuance of debt and equity instruments to meet its operating and financial obligations. While the Corporation has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding or initiatives will be available on terms acceptable to the Corporation. If the Corporation is unable to obtain sufficient additional funding, it may be unable to continue its operations, and amounts from the sale of assets might be less than the amounts reflected in these consolidated financial statements.

The March 31, 2019 consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. Such adjustments, if required, may be material.

Forward-looking statements

This MD&A contains certain forward-looking statements with respect to the Corporation. By their nature, these forward-looking statements necessarily imply risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. These risks and uncertainties include risks associated with the going concern assumption, market acceptance, competitive developments, the world economic situation and other factors. Except for ongoing obligations under securities laws to disclose all material information to investors, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP financial measures

This MD&A contains certain non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of an issuer's historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the Corporation's GAAP (as that term is defined in *Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards*) and is not presented in the Corporation's financial statements.

Non-GAAP financial measures presented in this document are:

- Sales bookings; sales bookings, for a specific period, is comprised of amounts related to two different types of sales agreements:

    a. Sales agreements for which a value can be determined at the time of signature, and

    b. Sales agreements signed in a prior period for which a value couldn't be determined at the time of signature but for which a value could be determined during a subsequent period, usually based on delivery during the subsequent period.

- Backlog; the amount for backlog is mainly comprised of sales bookings for products and services not yet delivered or rendered as of period end. This is an indicator of future revenues related to signed agreements.

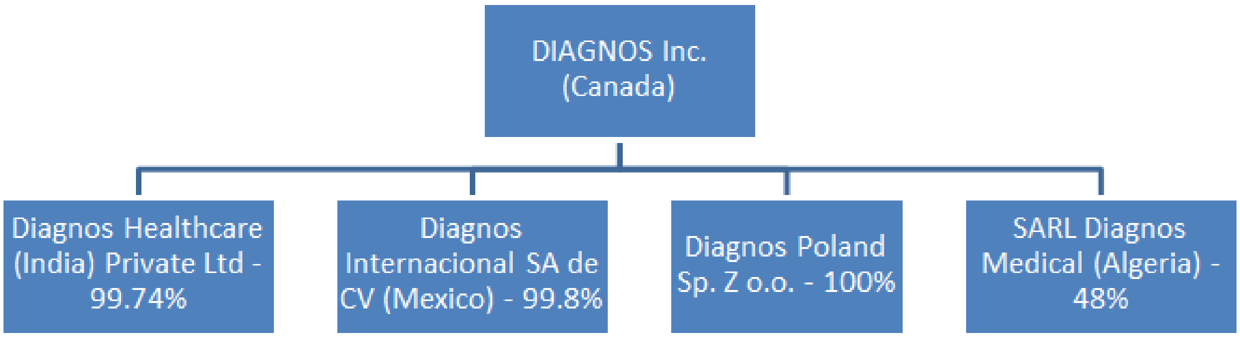
- Research and development refundable tax credit provisions in proportion to research and development expenses. This is an indicator of the overall scientific research and experimental development activities.

- Working capital; the working capital amount is obtained by subtracting accounts payable and accrued liabilities and other current liabilities from cash, non-restricted short-term investments, accounts receivable and other current assets. This is an indicator for assessing short-term solvency.

Description of the Corporation and activities

DIAGNOS has built an Artificial Intelligence ("AI") platform called *FLAIRE* to provide assistance to general practitioners in interpreting medical imaging at the primary care facilities. The Corporation operates in Healthcare and offers image analysis services through Computer Assisted Retinal Analysis (CARA), a software tool, which assists health specialists in the detection of diabetic retinopathy. Its geographical footprint spans across fifteen countries. DIAGNOS is currently listed on (i) the Toronto Venture Exchange where it trades under the stock symbol of "ADK" and (ii) the OTCQB under the symbol "DGNOF".

DIAGNOS group of entities, as at March 31, 2019, is organized as follows:



During the quarter ended March 31, 2019, wholly-owned inactive subsidiaries 8913404 Canada Inc., DMS & Technologies Inc. and Diagnos (USA) Inc. were dissolved. During the quarter ended December 31, 2018, wholly-owned subsidiary 1204721 Ontario Inc. was dissolved. During the quarter ended June 30, 2018, the Corporation disposed all of the shares of Albert Mining Inc ("Albert"). As at March 31, 2018, the Corporation held 10,500,000 shares of Albert representing 16.6% of Albert's outstanding common shares.

DIAGNOS operates in the healthcare sector through CARA, an artificial intelligence ("AI") software tool which assists health specialists in the detection of diabetic retinopathy. CARA is an in-house hosted web-based application that integrates fundus cameras with an image processing engine over a secure internet connection. CARA has been developed by, and is proprietary to, DIAGNOS.

AI market in Healthcare

The AI market in healthcare has high growth opportunities due to rising needs of self-care monitoring in real-time. Globally, AI in healthcare market is driven by the ability to improve patient outcomes, increase in need for coordination between healthcare workforce & patients, rise in adoption of precision medicine, significant use of big data in the healthcare sector, and remarkable rise in venture capital investments. Key healthcare applications using AI at present include – Intelligent Diagnostics, Patient and Provider Data Management, Drug Discovery Process, and Medical Devices and Robotics. According to Allied Market Research, the global AI in healthcare market was valued at $1,441 million in 2016, and is estimated to reach at $22,790 million by 2023. With its established CARA technology and worldwide presence, we believe DIAGNOS is well positioned to capture a sizeable portion of the AI market in healthcare.

Over the next decade, artificial intelligence is expected to fundamentally transform the diagnostic imaging market where the focus would be towards meeting the rising demand for imaging examinations, prevent diagnostic errors, and enable sustained productivity increases rather than replacing the need for radiologists.

As per an IBM research, medical images account for 90% of all the medical data which makes it the largest data source in healthcare industry. Nowadays, healthcare algorithms are created to get more accurate and quicker diagnosis. Presently medical imaging is helpful in tumour detection, tracking tumour development, blood flow visualization, medical interpretation and diabetic retinopathy.

CARA

The Corporation has developed a proprietary set of algorithms and associated software platforms to assist eye specialists in the detection of diabetic retinopathy. According to the Canadian Diabetes Association, diabetic retinopathy is the most common cause of blindness in people under age 65 and the most common cause of new blindness in North America. Also according to the Canadian Diabetes Association, it is estimated that approximately 2 million individuals in Canada (i.e. almost all people with diagnosed diabetes) have some form of diabetic retinopathy. According to the World Health Organization, the number of people with diabetes worldwide has risen from 108 million in 1980 to 422 million in 2014.

The application is named CARA, which stands for “Computer Assisted Retinal Analysis”. The Corporation’s management view is that this application will contribute to the increase in revenue streams based on the fact that automating the screening process for diabetic retinopathy will benefit the healthcare system.

CARA can be deployed in many countries and has received certifications from Health Canada, the US Food and Drug Administration in the United States of America and CE in the European Union.

The CARA suite of applications allows an eye care specialist to more clearly visualize both normal retinal landmarks (optic nerve, vascular system, macula, fovea), as well as pathological changes (exudates, haemorrhages, micro-aneurisms, neo-vascularisation). Services vary from image enhancement only, to turn-key solutions including deploying imaging equipment on a mobile basis using the Corporation’s staff.

During the period covered by this document, the Corporation has actively been developing CARDIO, a software tool being tested by DIAGNOS to detect patients at risk of developing cardiovascular disease. CARDIO is a by-product of the work we are doing in the field of stroke prevention based on the human vascular system. This new application is currently in clinical trial in the US, Canada, Algeria and Mexico.

A few other healthcare-focused software tools are presently in the development phase, such as Sleep Apnea and Alzheimer’s disease.

Unchanged from the last reporting period, for the commercialization of CARA, we currently have a presence either directly or through resellers in North America (Canada, USA and Mexico), Africa (Algeria), Middle-East (some countries of the Gulf Cooperation Council) and India. We intend to continue increasing our presence in the USA. CARA has proven its value to patients in these markets. Our focus going forward is to leverage that proven ability to (i) continue to build revenue and sales in emerging markets and (ii) to substantially grow our sales and marketing successes in the US and Canada, where we believe CARA offers a unique value proposition to payers and patients. The addition of a new US based board member in April 2018 is accelerating the business development efforts there.

Development of the Business

Here are the main events which contributed to the development of the business during the year ended March 31, 2019:

- April 2018: Appointment of new director based in the USA, Dr. Reid Maclellan.
- June 2018: Partnership with the CHUM to showcase CARA.
- June 2018: New CARA high blood risk assessment tool.
- July 2018: Private placements of (i) convertible debentures for gross proceeds of $800,000 and (ii) common shares for gross proceeds of $60,000.
- September 2018: Private placement of common shares and stock warrants for gross proceeds of $112,500.
- November 2018: Private placement of common shares and stock warrants for gross proceeds of $1,533,000.
- December 2018: Private placement of common shares and stock warrants for gross proceeds of $334,475.
- May 2019: Redemption of convertible debt by the issuance of common shares.

Summary of quarterly results

The following financial information for the eight most recently completed three-month periods is derived from the Corporation's financial statements.

	2019				**2018**			
	Q4	***Q3***	***Q2***	***Q1***	***Q4***	***Q3***	***Q2***	***Q1***
	March 31, 2019	**Dec. 31, 2018**	**Sept. 30, 2018**	**June 30, 2018**	**March 31, 2018**	**Dec. 31, 2017**	**Sept. 30, 2017**	**June 30, 2017**
	$							
Revenue	91,147	94,511	47,687	93,124	66,593	937,426	269,404	339,398
Net loss	(747,453)	(1,033,666)	(1,100,708)	(957,229)	(1,041,793)	(544,360)	(834,601)	(476,411)
Comprehensive loss	(771,131)	(1,021,927)	(1,133,488)	(973,112)	(1,112,207)	(285,919)	(1,093,621)	(410,714)

Overall performance

This section provides an analysis of the Corporation's financial performance, financial condition and resulting cash flows during the periods covered by this MD&A.

Net results

The comparative financial information for the comparative three-month period and year ended March 31, 2019, contained in this section, is derived from the Corporation's consolidated financial statements.

	Three-month period ended March 31,		Year ended March 31,	
	2019	**2018**	**2019**	**2018**
	$		$	
Revenue	91,147	66,593	326,469	1,612,821
Operating expenses	675,794	725,683	3,256,441	4,079,409
Other income	(36,451)	-	(52,308)	-
Interest expense	263,910	155,978	1,025,431	827,771
Share of loss from associate, including impairment	-	418,916	-	418,916
Loss on disposal of capital assets	13	-	627	-
Gain on disposal of the mining division	-	-	-	(623,919)
	903,266	1,300,577	4,230,191	4,702,177
Loss before income taxes	**(812,119)**	**(1,233,984)**	**(3,903,722)**	**(3,089,356)**
Decrease (increase) in loss before income taxes	421,865		(814,366)	

The variations in loss before income taxes are attributable to:

	Three-month period ended	Year ended
	March 31, 2019	
	$	
Increase (decrease) in revenue	24,554	(1,286,352)
Decreases in costs of services and research and development	114,807	236,085
Decrease (increase) in selling and administrative expenses	(64,918)	586,883
Increase in other income	36,451	52,308
Increases in interest expense	(107,932)	(197,660)
Share of loss from associate	418,916	418,916
Loss on disposal of capital assets	(13)	(627)
Gain on disposal of the mining division	-	(623,919)
	421,865	(814,366)

- The decrease in revenue, for the year ended March 31, 2019, is attributable to (i) the decrease in the number of signed agreements from the healthcare sector and (ii) the sale of the mining division during the quarter ended June 30th, 2017.
- The overall decrease in costs of services and research and development is mainly due to the decrease in delivery of services costs attributable to the global decrease in revenues derived from CARA and the sale of the mining division during the quarter ended June 30th, 2017.
- The decrease in selling and administrative expenses, for the year ended March 31, 2019, is mainly attributable to decreases in (i) incentives paid to officers of the Corporation, (ii) consulting fees related to the new corporate image, (iii) the sale of the mining division during the quarter ended June 30th, 2017 and (iv) sales commissions related to the decrease in revenue.
- The overall increase in interest expense is mainly attributable to the issuance of secured convertible debentures during the quarter ended September 30th, 2018.
- Gain on disposal of intangible assets arose from the selling of the mining division during the quarter ended June 30th, 2017.

When evaluating its overall financial performance, the Corporation's analysis is based on the following key performance indicators:

- capacity to increase revenues
- capacity to generate positive cash flows from operating activities
- capacity to deliver results
- capacity to innovate

Capacity to increase revenues

To increase its revenues, the Corporation strives to generate sales in existing and new geographic markets.

Sales bookings, Revenues and Backlogs

The Corporation's backlog provides an indicator when forecasting revenues. The following table presents the comparative evolution of the backlog for the comparative three-month period and year ended March 31, 2019 and is followed by an analysis of the material variances.

	Three-month period ended March 31, 2019				**Year ended March 31, 2019**			
	Healthcare	Consulting services	Mining (discontinued)	Total	Healthcare	Consulting services	Mining (discontinued)	Total
	$				$			
Opening backlog	18,336	-	-	18,336	-	-	-	-
Bookings	123,702	601	-	124,303	274,969	102,992	-	377,961
Adjustments	(3,492)	-	-	(3,492)	(3,492)	-	-	(3,492)
Revenues	(90,546)	(601)	-	(91,147)	(223,477)	(102,992)	-	(326,469)
Ending backlog	48,000	-	-	48,000	48,000	-	-	48,000

	Three-month period ended March 31, 2018				**Year ended March 31, 2018**			
	Healthcare	Consulting services	Mining (discontinued)	Total	Healthcare	Consulting services	Mining (discontinued)	Total
	$				$			
Opening backlog	-	-	-	-	24,600	-	-	24,600
Bookings	66,593	-	-	66,593	1,527,960	-	320,000	1,847,960
Amendments	-	-	-	-	(259,739)	-	-	(259,739)
Revenues	(66,593)	-	-	(66,593)	(1,292,821)	-	(320,000)	(1,612,821)
Ending backlog	-	-	-	-	-	-	-	-

	Variations for the three-month period ended March 31, 2019				**Variations for the year ended March 31, 2019**			
	Healthcare	Consulting services	Mining (discontinued)	Total	Healthcare	Consulting services	Mining (discontinued)	Total
	$				$			
Bookings	53,617	601	-	54,218	(996,744)	102,992	(320,000)	(1,213,752)
Revenues	23,953	601	-	24,554	(1,069,344)	102,992	(320,000)	(1,286,352)

Analysis of the material variances for the comparative three-month period and year ended March 31, 2019:

- The overall decrease in bookings and revenues from the healthcare sector is mainly attributable to the non-renewal of one agreement with a governmental organization in Mexico.
- The increase in bookings and revenues from consulting services is mainly attributable to data interpretation services rendered to one company active in the mining sector in Canada.
- The decrease in bookings and revenues from mining is attributable to the sale of the mining division (CARDS) during the quarter ended June 30th, 2017.

Geographical segments

The following table presents the comparative revenues by country for the three-month period and year ended March 31, 2019:

	Three-month period ended March 31,			Year ended March 31,		
	2019	2018	Variance	2019	2018	Variance
	$			$		
Canada	12,026	44,988	(32,962)	169,641	373,723	(204,082)
United States of America	21,583	12,130	9,453	74,990	21,748	53,242
Kenya	56,201	-	56,201	56,201	-	56,201
United Arab Emirates	-	5,855	(5,855)	18,638	24,275	(5,637)
Saudi Arabia	1,467	3,219	(1,752)	5,243	8,301	(3,058)
Mexico	-	-	-	-	1,171,037	(1,171,037)
Others	(130)	401	(531)	1,756	13,737	(11,981)
	91,147	66,593	24,554	326,469	1,612,821	(1,286,352)

Canada

For the year ended March 31, 2019, 61% of revenues were derived from data interpretation consulting services and 39% of revenues were derived from the healthcare sector (CARA). For the same period, the decrease in revenue is due to the sale of the mining division in the quarter ended June 30th, 2017.

United States of America and Saudi Arabia

The revenues from those countries were derived from the healthcare sector (CARA) and are attributable to clients with activities in the primary care sector. The increase of $53,242 for the United States of America, for the year ended March 31, 2019, is attributable to the increase in the number of clients.

Kenya and United Arab Emirates

The revenues from those countries were derived from the healthcare sector (CARA) and are attributable to one global client with activities in the pharmaceutical industry. The increase in revenue in those countries, for the year ended March 31, 2019, is mainly due to the addition of a screening site in Kenya.

Mexico and Others

The Corporation has places of business in Mexico, Mumbai and Poland which are responsible for operations in these respective countries. During the year ended March 31, 2019, no revenue was derived from those countries.

Capacity to generate positive cash flows from operating activities

To generate positive cash flows from its operating activities, the Corporation strives to increase sales receipts and continues to monitor operating costs and related disbursements. The following table contains information taken from the Corporation's consolidated financial statements and details the cash flows derived from operating activities:

	Year ended March 31,		
	2019	**2018**	**Variance**
	$		
Net loss	(3,839,056)	(2,897,165)	(941,891)
Items not affecting cash	846,329	323,798	522,531
Payment of interest	324,156	650,559	(326,403)
Net change in non-cash operating working capital items	348,850	(321,944)	670,794
Cash flows from operating activities	**(2,319,721)**	**(2,244,752)**	**(74,969)**

Despite an increase in net loss of $941,891, the negative variance in cash flows from operating activities of $74,969 is mainly attributable to:

	$
Decrease in accounts receivable from customers	315,686
Decrease in accounts payable and accrued liabilities	(138,196)
Share of loss from equity accounted investment	418,916
Gain on disposal of the mining division	(623,919)
Others	(47,456)
	(74,969)

Capacity to deliver results

The Corporation's sales agreements usually imply rendering services over a defined period of time. Consequently, sufficient working capital and cash liquidities are required to execute the sales agreements and to continue supporting business development initiatives. The Corporation's current level of revenues is not sufficient to cover its expenses and ongoing commitments, thereby resulting in negative cash flows generated from operating activities. The Corporation's ability to generate positive cash flows from operating activities is dependent on achieving and maintaining profitable operations. Since inception, the Corporation has been able to finance its activities and operate on a going concern basis through issuances of shares, stock warrants and debt. To raise additional funds if and when required, the Corporation's current strategy is expected to be, but not limited, to the issuance of common shares, convertible financial instruments and stock warrants.

Based on the current level of liquidities and sales activities, the realization of assets and the discharge of its liabilities in the ordinary course of business remain uncertain. In order to address these uncertainties, the Corporation has implemented some or all of the following measures:

- Continue the process of renewing contracts
- Reduce operating cost
- Continue to seek debt financing
- Continue to seek equity financing
- Continue to evaluate possible M&A opportunities

Capacity to innovate

To improve existing products and continue to innovate, the Corporation has in place a team of scientists dedicated to the development of CARA. The Corporation's research and development activities are performed at the head office in Canada. The Corporation benefits from research and development (R&D) tax credits where, historically, approximately 15% of its overall R&D expenses are refunded by the Government of Quebec.

For the comparative years ended March 31, 2019, refundable tax credit provisions in proportion to the overall R&D expenses represent:

	Year ended March 31,	
	2019	**2018**
R&D expenses ($)	922,493	760,216
R&D tax credit provisions ($)	135,559	99,208
R&D tax credit in proportion to R&D expenses	15%	13%

Based on current activities and current legislation, the R&D tax credit percentage in proportion to R&D expenses is expected to be approximately 14% for the foreseeable future.

Expenses analysis

The comparative financial information on expenses, for the comparative three-month period and year ended March 31, 2019, contained in this table is derived from the Corporation's consolidated financial statements and is followed by an analysis of the material variances.

	Three-month period ended March 31,		Year ended March 31,	
	2019	**2018**	**2019**	**2018**
	$		$	
Costs of services and research and development	208,778	323,584	1,085,841	1,321,926
Selling and administrative	467,016	402,099	2,170,600	2,757,483
	675,794	725,683	3,256,441	4,079,409

	Variations for the three-month period ended March 31, 2019		Variations for the year ended March 31, 2019	
	$	%	$	%
Costs of services and research and development	114,806	35%	236,085	18%
Selling and administrative	(64,917)	(16%)	586,883	21%
	49,889	7%	822,968	20%

Costs of services and research and development

The overall decrease for the year ended March 31, 2019 is mainly due to the decrease in delivery of services costs attributable to the global decrease in revenue.

Selling and administrative

The decrease of $586,883, or 21%, for the year ended March 31, 2019, is mainly attributable to decreases in (i) incentives paid to officers of the Corporation, (ii) consulting fees related to the new corporate image, (iii) the sale of the mining division during the quarter ended June 30th, 2017 and (iv) sales commissions related to the decrease in revenue.

Financial position analysis

The comparative financial information contained in this section is derived from the Corporation's consolidated financial statements.

	As at	
	March 31, 2019	March 31, 2018
	$	
Cash and short-term unrestricted investments	138,242	150,291
Accounts receivable	390,537	531,132
Other current assets	564,143	108,528
Non-current assets	114,219	734,296
Total assets	**1,207,141**	**1,524,247**
Accounts payable and accrued liabilities	766,840	614,972
Other current liabilities	1,713,756	48,131
Non-current liabilities	3,809,144	4,497,829
Shareholders' deficiency	(5,082,599)	(3,636,685)
Total liabilities and shareholders' deficiency	**1,207,141**	**1,524,247**
Working capital (deficiency)	**(1,387,674)**	**126,848**
Decrease in working capital	(1,514,522)	

The working capital varied as follows:

	$	
Working capital at the beginning of the year		**126,848**
Net proceeds from a private placement of convertible debentures	761,500	
Net proceeds from a private placement of common shares and share warrants	1,948,664	
Net proceeds from disposals of investments	437,844	
Convertible debentures due within one year	(1,670,240)	
Cash flows used in operating activities	(2,319,721)	
Acquisition of short term investments	(500,000)	
Payment of interests	(324,156)	
Others	151,587	(1,514,522)
Working capital deficiency at the end of the year		**(1,387,674)**

Based on the current level of liquidities and sales activities, the realization of assets and the discharge of liabilities in the ordinary course of business remain uncertain. In order to address these uncertainties and improve its financial position, the Corporation is evaluating the implementation of some or all of the following measures:

Liquidity risk	Risk mitigation measures
Funding of operating and financing expenses	• Continue the process of renewing contracts • Reduce operating costs • Continue to seek debt financing • Continue to seek equity financing • Continue to evaluate possible M&A opportunities

The Corporation believes that with the above measures it will be able to improve its financial position. There is, however, significant risk and uncertainty associated with the measures described above.

Commitments and off-balance sheet arrangements

As of April 1st, 2018, under the terms of an operating lease agreement in Canada, which will expire in September 2019, the Corporation is committed to making minimum annual lease payments of $109,944 for the duration of the lease.

Issued Common shares and Debt

As at March 31, 2019, the number of common shares and convertible securities outstanding is:

Common shares	212,931,265
Stock warrants	43,810,000
Conversion options	46,950,000
Stock options	16,352,684
	320,043,949

The following table presents the nominal values and fair values of outstanding convertible securities:

				As at	
				March 31, 2019	March 31, 2018
	Number	Maturity date	Nominal value	Fair value	
				$	
Unsecured convertible promissory notes	20	October 13, 2020	1,000,000	880,546	829,910
Secured convertible debentures	153	July 29, 2019	1,530,000	1,670,240	1,525,651
Secured convertible debentures	261	April 13, 2020	2,610,000	2,327,664	2,109,679
Secured convertible debentures	16	July 4, 2021	800,000	568,885	-
			5,940,000	5,447,335	4,465,240

On May 15th, 2019, the Corporation redeemed the outstanding convertible debentures and part of the outstanding notes in the aggregate principal amount of $5,790,000, plus unpaid and accrued interest owing, for an aggregate amount of $6,528,047, and in payment thereof, 18,651,547 common shares of the Corporation were issued at the deemed price of $0.35 per share.

Transactions between related parties

The Corporation's related parties include its subsidiaries and associate entities as well as the Corporation's key management personnel. Key management personnel includes directors and officers.

Transactions with key management personnel, directors and officers are as follows:

	Three-month period ended March 31,			Year ended March 31,		
	2019	2018	Δ	2019	2018	Δ
	$			$		
Base Salary	130,000	130,000	0%	520,000	512,500	1%
Stock based compensation	10,323	12,276	(16%)	115,372	139,928	(18%)
Incentives	-	-	n/a	70,000	150,000	(53%)
Sales commissions	-	1,001	(100%)	1,380	111,972	(99%)
Interest on demand loan	485	121	301%	1,940	1,940	0%
Payment of interest on demand loan	(485)	(121)	301%	(1,940)	(1,940)	0%
	140,323	143,277	(2%)	706,752	914,400	(23%)

The decrease in sales commissions is attributable to the decrease in revenue.

The following table presents the outstanding balances with key management personnel.

	As at	
	March 31, 2019	March 31, 2018
	$	
Demand loan receivable, annual interest rate of 4%	44,809	46,749
Sales commissions advance, no interest	20,841	21,558
Convertible debentures, annual nominal interest rate of 10%	(30,000)	(30,000)
Convertible notes, annual nominal interest rate of 10%	(500,000)	(500,000)

The outstanding balances with key management personnel varied as follows:

	Year ended March 31, 2019			
	Demand loan receivable, annual interest of 4%	Sales commissions advance, no interest	Convertible debentures, annual interest of 10%	Convertible notes, annual interest of 10%
		$		
Balance, beginning of year	**46,749**	**21,558**	**(30,000)**	**(500,000)**
Repayment	(1,940)	(717)	-	-
Balance, end of year	**44,809**	**20,841**	**(30,000)**	**(500,000)**

Subsequent events

On April 24th , 2019, the common shares of the Corporation commenced trading on a post-consolidation basis, whereby ten (10) pre-consolidation shares resulted in one (1) post-consolidation share.

On May 15th, 2019, the Corporation redeemed the outstanding convertible debentures and part of the outstanding notes in the aggregate principal amount of $5,790,000, plus unpaid and accrued interest owing, for an aggregate amount of $6,528,047, and in payment thereof, 18,651,547 common shares of the Corporation were issued at the deemed price of $0.35 per share.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Corporation's significant accounting policies, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The following are the key estimates concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Going concern assumption

The Corporation's ability to continue as a going concern is dependent on completing an additional financing, achieving and maintaining profitable operations and other factors, all of which are outside of management's control. Management has to assess the outcome of these matters when preparing the Corporation's consolidated financial statements. The Corporation's current level of revenues is not sufficient to cover its expenses and ongoing commitments, resulting in the negative cash flows generated from operating activities. The Corporation's ability to generate positive cash flows from operating activities is dependent on achieving and maintaining profitable operations. The Corporation believes that it will be able to continue as a going concern basis through issuances of shares, stock warrants, convertible notes, convertible debentures and debt. Therefore, the financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate.

Tax credits on research and development expenses

The Corporation receivables include refundable tax credits on R&D expenses. Management has to make certain careful judgments related to the eligibility of R&D expenses with regards to the provisions of the current tax credit programs.

Stock-based compensation

Stock-based compensation involves the valuation of grants of stock options. The Corporation relies on the fair value obtained by applying the Black - Scholes option pricing model. This model requires making assumptions related to the risk-free interest rate (with a term that matches the expected life of the options), the expected stock price volatility, the expected life of the options and the expected dividend yield on the Corporation's shares. Management also has to estimate the number of options that will eventually vest.

Fair value of financial instruments

Financial instruments are presented at fair value. In the absence of active markets in the evaluation of financial assets and financial liabilities, the Corporation relies on evaluation techniques based on inputs that are not based on observable market data which could cause the actual results to differ from the estimates.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the lease asset. Key factors considered include the length of the base term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to asset's fair value, and whether the corporation obtains ownership of the asset at the end of the lease term.

Risk management

The Corporation is exposed to risks which could have an impact on its capacity to reach its strategic growth objectives. The Corporation strives to control and mitigate the risks through management practices that require the identification and analysis of the risks related to its operations.

The following describes the main risks that the Corporation faces:

With regards to the Corporation's general activities:

- Nature of services – The Corporation offers interpretation services based on proprietary data mining software applications. Data mining is mainly used to extract knowledge from a set of data. This extraction of knowledge is an interpretation of a given situation with the assistance of a software program. As with many software applications, the results have to be reviewed and validated by the customer's staff. When rendering interpretation services to its customers, the Corporation mitigates the perception of risk by including disclaimer clauses and warranty limitations to indicate clearly the customer's responsibility towards the results.

- Intellectual Property – The market in which the Corporation competes may include new or existing entrants that own, or claim to own, intellectual property, and the Corporation may have to defend itself which can be time-consuming and costly. In some cases, DIAGNOS may be unable to protect its proprietary technology adequately against unauthorized third-party use or copying through reverse-engineering processes which could adversely affect its competitive position. Additionally, DIAGNOS may be faced with individuals and groups who have purchased intellectual property assets for the sole purpose of making claims of infringement and attempting to extract substantive settlements from established companies.

- Litigation and disputes – In the normal course of its activities, the Corporation may be party to various legal proceedings and disputes with customers and suppliers. Legal proceedings may include undetected errors or malfunctions of the services and products, or claims relating to applicable securities laws. A product liability or securities class action could negatively impact the business because of the costs of defending the lawsuit, diversion of employees' time and attention, and potential damage to our reputation. The Corporation's insurance policy may not cover all potential claims, or may not be adequate to cover all costs incurred in defense of potential claims or to indemnify us for all liability that may be imposed.

- Tax credits programs – DIAGNOS benefits from R&D tax credits where a portion of its R&D expenses are refunded under a specific program sponsored by the Quebec government. Amendments to this program which would reduce the scope of expenses eligible for refund, or its termination, will result in net increases in R&D expenses. Additionally, audits by tax authorities are performed from time to time and may result in negative impacts on our financial position.

- Investing activities – The Corporation accepts payment in the form of shares from customers for services rendered. Shares traded on a public or private market are subject to market volatility. The Corporation's policy regarding investments in shares is to benefit from increases in their market value. The Corporation sells shares when there are clear indications that any decrease in value may be permanent. The Corporation may also sell or liquidate those investments to fund its operating activities.

- Volatility of markets – The shares of the Corporation are traded on the TSX Venture market and, as with any shares traded on a public market, they are subject to market volatility.

- Profitability - The Corporation has not realized any profits from its operations since its inception. However, the Corporation has been able to operate on a continuous basis. The Corporation's ability to continue as a going concern is dependent on further financings and on achieving and maintaining profitable operations.

- Human resources – The Corporation must attract and retain highly skilled employees and partners with software development and data mining knowledge to be able to stay ahead of its competitors and up to date with technology changes.

More specifically regarding healthcare:

- Market acceptance – CARA’s success depends upon achieving market acceptance in a changing healthcare environment. There can be no assurance that CARA will be accepted and that DIAGNOS will be able to respond effectively to changes in technology or customers' demands.

- Regulatory approvals – Numerous statutes and regulations govern the manufacture and sale of medical or healthcare products in Canada, the United States and other countries. The process of obtaining necessary regulatory approvals can be lengthy, expensive, and uncertain.

- Product interaction and product support – CARA is an in-house hosted web-based application that integrates fundus cameras from leading camera suppliers with an image processing engine over a secure connection. New camera products or new features of existing products may affect compatibility of CARA and may require additional development work or support to insure adaptability. Lack of support or termination of relationships with the leading fundus camera manufacturers could negatively impact the business.

- Sales strategy – The Corporation marketing plan is to market services from CARA worldwide. If the Corporation is unable to build and support effective distribution channels, either directly or through resellers, sales could be negatively impacted or delayed and the Corporation may have to review its sales strategy.

- Foreign market environment – International operations carry certain risks and associated costs in managing a business abroad, such as complications in compliance with, and unexpected changes in legal and regulatory restrictions or requirements, matters governing privacy of personal information, foreign currency fluctuations, difficulties in collecting accounts receivable, withholding taxes regulations, uncertainties of laws and enforcement relating to intellectual property and privacy rights and unauthorized copying of software.

- Reimbursement of healthcare costs – Depending on the country’s regulations with regard to the reimbursement of healthcare costs by public or private organizations, services from CARA might not be approved for reimbursement or be subject to specific limits.

- Budgets and forecasts – Sales forecasts are currently prepared, for the most part, from the appreciation and interpretation of the addressable screening markets for retinopathy and are not based on firm orders. Additionally, the Corporation is assuming that it will benefit from repetitive revenues based on the fact that patients screened for retinopathy need to be followed up on a regular basis. Actual results and renewal rates may differ from anticipated levels and any decline may negatively impact the business.

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Stock Exchange Listing
DIAGNOS Inc. shares are listed on the TSX Venture Exchange under the symbol ADK and on the OTCQB under the symbol DGNOF.

Transfer Agents and Registrar
Computershare Trust Company of Canada

Auditor
Raymond Chabot Grant Thornton LLP